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NEW PENALTIES CREATE PROBLEMS FOR TAX PREPARERS

The penalty provisions of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) have created a new ball game in the relationship between CPAs and their clients. A thorough discussion of these provisions is contained in an article by William Raby, chairman of the AICPA federal tax division, in the November 1982 *Journal of Accountancy*.

Until now, both taxpayers and practitioners have been subject to penalties for fraud, negligence, willful understatement of tax and intentional disregard of rules and regulations. In many cases, the penalties could be avoided by showing that there was a "reasonable basis" or "reasonable authority" for the position taken. Rule 102 of the AICPA Code of Professional Ethics, "Integrity and Objectivity," permits members to resolve doubt in favor of clients in tax practice as long as there is "reasonable support" for the position taken.

Now, under Section 6661, a 10 percent penalty can be asserted against the taxpayer for understatement of tax even though there is no fraud, negligence or willful understatement. This penalty may be assessed if the tax reported is understated by 10 percent or $5,000, whichever is greater ($10,000 in the case of corporations).

The only way to avoid the penalty is either to show that there was "substantial authority" for the position taken or to make "adequate disclosure" on the return that the position taken is at variance with an IRS position in published rulings, regulations or court cases. In the case of a "tax shelter" deduction or credit, disclosure will not suffice to avoid the penalty, and an even stricter test than "substantial authority" will have to be met to avoid the penalty.

Suffice it to say, these new rules will have a chilling effect on the customary relationship between practitioners and clients. In the past, CPAs were able to recommend to clients relatively assertive or aggressive tax positions for which there was a "reasonable basis," without concern that there might be a penalty assessed against the taxpayer if the position were not sustained. That is no longer so.

CPAs should advise their clients of the new penalty provisions and the limitations on the responsibility being taken by the preparer. This will be crucial in maintaining good client relationships and in minimizing future professional liability claims against the CPA arising from penalties that might be assessed against the clients. Statement on Responsibilities in Tax Practice no. 10, *Positions Contrary to Treasury Department or Internal Revenue Service Interpretations of the Code,* makes it quite clear that "a tax return is primarily a client's responsibility and the client has the final responsibility for whatever positions are taken on the return."

There are several ways clients can be made aware of the penalty problems and the degree of responsibility being assumed by the preparer:

- ☐ It is strongly recommended that CPAs secure signed tax engagement letters from clients. Sample letters are contained in the AICPA *Management of an Accounting Practice Handbook.* These letters should be expanded to spell out that the preparer will continue to take positions on tax issues only if there is reasonable support or reasonable basis for such positions. The client should also be advised that "reasonable support" will not assure relief from the 10 percent penalty. Finally, the CPA should make it clear that he is not offering assurance that there is "substantial authority" for any position un-

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less such assurance is specifically given to the client.

- ☐ If the practitioner does not use an engagement letter, the tax return transmittal letter should indicate the level of assurance given by the CPA for the positions taken in the preparation of the return; i.e. "reasonable basis" but not "substantial authority."
- ☐ If the practitioner prepares client newsletters or other information materials on the new tax law, the new penalty provisions affecting both the taxpayer and tax preparer should be reported and the limitation on the CPA's assurances clearly set forth.
- ☐ The firm's tax checklist or interview sheet should include a question similar to that concerning Section 274 deductions (substantiation of travel and entertainment expenses) confirming that the preparer has discussed with the client (a) the potential penalty problems and (b) the limitation of assurances. This should be initialed by the preparer to affirm that the client has been so advised.

In addition to the penalties that can be assessed against the client, practitioners should also be aware of the new $1,000 penalty provided in Section 6701 on preparers who are shown to "know" that certain positions taken will result in an understatement of another person's tax liability. Although the safe-harbor provisions for avoiding penalties under Section 6661 are not in Section 6701, the burden of proof would appear to be on the IRS Commissioner to establish "knowledge" by the preparer.

This penalty is in addition to any other penalties, except the $100 penalty for negligent or intentional disregard of rules and regulations and the $500 penalty for willful attempt to understate taxes, already provided for under Section 6694. The acts proscribed by Section 6694 can also result in a recommendation to the IRS Director of Practice that disciplinary action be taken against the preparer.

The penalty provisions of TEFRA have indeed created a new ball game. How the game is played will depend to a large extent on the practitioner's ability to interpret the new rules and to properly advise clients of the new game plan.

The AICPA tax division and other professional tax groups have submitted questions and answers to the IRS for inclusion in regulations to be promulgated in order to clarify the many issues raised by the new TEFRA penalty provisions.

–by Saul Braverman, CPA
Beverly Hills, California

–by John C. Williams, CPA
San Francisco, California

Editor's note: Mr. Braverman is chairman of the AICPA subcommittee on responsibilities in tax practice. Mr. Williams is dean of the graduate school of taxation, Golden Gate University, San Francisco.

Tax Tips

CPAs who are called upon to speak about various changes that affect the 1982 federal income tax return such as the new forms, marital deductions, etc., might find a few tips themselves in the tax season speech published by the AICPA public relations division. Designed for a general audience, CPAs can tailor the information in this speech to suit their particular needs. The speech contains information on different methods of filing and commonly overlooked deductions, and some items of interest to small-business owners can be found at the end.

There is also an item that can be handed out—a reminder, about the size of a bookmark, of tax breaks that shouldn't be overlooked. These can be ordered in lots of 100 at $4 from Timothy Arena at the AICPA (212) 575-6649.

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Highlights of Recent Pronouncements

FASB Statements of Financial Accounting Standards (SFASs)

No. 71 (December 1982), *Accounting for the Effects of Certain Types of Regulation*

- ☐ Supersedes the Addendum to APB Opinion no. 2, *Accounting Principles for Regulated Industries*, and amends certain APB Opinions, FASB Statements and Interpretations.
- ☐ Provides guidance in preparing general purpose financial statements for most public utilities. Certain other companies with regulated operations that meet specified criteria are also covered.
- ☐ Effective for fiscal years beginning after December 15, 1983. Accounting changes shall be applied retroactively with certain exceptions.

No. 70 (December 1982), *Financial Reporting and Changing Prices: Foreign Currency Translation*

- ☐ Amends FASB Statement no. 33, *Financial Reporting and Changing Prices*, because of changes in the method of translating foreign currency financial statements set out in FASB Statement no. 52, *Foreign Currency Translation*.
- ☐ An enterprise that measures a significant part of its operations in functional currencies other than the U.S. dollar is exempted from FASB Statement no. 33's requirements to present historical cost information measured in units of constant purchasing power.
- ☐ Operations that use functional currencies other than the U.S. dollar should measure current cost amounts and increases or decreases therein in the functional currency. Allows use of either U.S. CPI (U) or functional currency general price level indexes.
- ☐ Effective for fiscal years ending after December 15, 1982 for which an enterprise has applied FASB Statement no. 52.

No. 69 (November 1982), *Disclosures about Oil and Gas Producing Activities*

- ☐ Amends FASB Statements nos. 19, 25, 33 and 39.
- ☐ Requires publicly traded enterprises to disclose supplementary information about reserve quantities, certain capitalized costs, certain costs incurred, certain results of operations, and a standardized measure of discounted future net cash flows related to proved reserves.
- ☐ For changing prices information, permits historical cost/constant dollar measures to be used when presenting current cost information about oil and gas mineral interests.
- ☐ Effective for fiscal years beginning on or after December 15, 1982.

No. 68 (October 1982), *Research and Development Arrangements*

- ☐ Requires that a company determine whether it is obligated only to perform contractual research and development for others, or whether it is obligated to repay any of the funds provided. If the company is obligated to repay the funds, it must record a liability and charge research and development costs to expense as incurred.
- ☐ Requires that a company whose obligation is limited to performing research and development services for others shall disclose the terms of significant agreements under the arrangement as of the date of each balance sheet presented, as well as the compensation earned and contract costs incurred for each period for which an income statement is presented.
- ☐ Effective for research and development arrangements entered into after December 31, 1982.

No. 67 (October 1982), *Accounting for Costs and Initial Rental Operations of Real Estate Projects*

- ☐ Extracts the specialized accounting principles and practices from certain AICPA Statements of Position and an Industry Accounting Guide. Establishes whether cost associated with acquiring, developing, constructing, selling and renting real estate projects should be capitalized.
- ☐ Provides guidance on the appropriate methods of allocating capitalized costs to individual components of the projects; and establishes that a rental project changes from nonoperating to operating when it is substantially completed and held available for occupancy.
- ☐ Applies to costs of real estate projects incurred in fiscal years beginning after December 31, 1982.

No. 66 (October 1982), *Accounting for Sales of Real Estate*

- ☐ Adopts the specialized profit recognition principles in certain AICPA Industry Accounting Guides and Statements of Position; and establishes accounting standards for recognizing profit or loss on sales of real estate.
- ☐ For sales of real estate, specifies criteria to be met for full accrual accounting and when other methods should be followed.
- ☐ Applies to real estate sales transactions entered into after December 31, 1982; the required disclosures should be provided in financial statements for periods ending after December 15, 1982.

No. 65 (September 1982), *Accounting for Certain Mortgage Banking Activities*

- ☐ Extracts the specialized principles and practices from AICPA Statement of Position 74-12, *Accounting Practices in the Mortgage Banking Industry*, and SOP 76-2, *Accounting for Origination Costs and Loan and Commitment Fees in the Mortgage Banking Industry.*
- ☐ Establishes standards for certain mortgage banking activities as well as several different types of loan and commitment fees.
- ☐ Requires that mortgage loans and mortgage-backed securities held for sale be reported at the lower of cost or market value. Origination costs associated with loan applications received directly from borrowers are expensed as period costs. The premium paid for the right to service loans in a purchase of mortgage loans ordinarily is capitalized as the cost of acquiring that right.
- ☐ Effective for transactions entered into after December 31, 1982, with the exception of certain paragraphs which are effective for fiscal years beginning after December 15, 1982.

Statements on Auditing Standards

No. 44 (December 1982), *Special-Purpose Reports on Internal Accounting Control at Service Organizations*

- ☐ Provides guidance on the independent auditor's use of a special-purpose report on certain aspects of internal accounting control of an organization that provides certain services to a client whose financial statements he has been engaged to examine.
- ☐ Effective for examinations of financial statements for periods beginning after December 31, 1982, and for independent accountants' special-purpose reports on internal accounting control as of a date after December 31, 1982, or for a period ending after that date.

No. 43 (August 1982), *Omnibus Statement on Auditing Standards*

- ☐ Amends certain paragraphs in SAS no. 1, *Codification of Auditing Standards and Procedures,* related to generally accepted auditing standards; the auditor's study and evaluation of internal control; inventories held in public warehouses; variations in presentation of the statement of changes in financial position; controls and auditing procedures for owner's goods stored in public warehouses.
- ☐ Amends certain paragraphs in SAS no. 2, *Reports on Audited Financial Statements;* no. 5, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report;* no. 38, *Letters for Underwriters* and no. 39, *Audit Sampling*—delays effective date to June 25, 1983.
- ☐ Effective for examinations of financial statements for periods ended after August 31, 1982, except for the amendment to SAS no. 39, which is effective retroactively to June 25, 1982.

No. 42 (August 1982), *Reporting on Condensed Financial Statements and Selected Financial Data*

- ☐ Provides guidance on reporting in a client-prepared document on (a) condensed financial statements that are derived from audited financial statements of a public entity that is required to file completed audited financial statements with a regulatory agency; and (b) selected financial data that are derived from audited financial statements of either a public or nonpublic entity and that are presented in a document that includes audited financial statements.
- ☐ Effective for accountants' reports dated on or after September 30, 1982, on condensed financial statements or selected financial data.

Statement on Standards for Accounting and Review Services

No. 5 (July 1982), *Reporting on Compiled Financial Statements*

- ☐ Amends the reporting standard and example set forth in paragraphs 14(a) and 17 of Statement on Standards for Accounting and Review Services no. 1.
- ☐ Effective for periods ending on or after December 31, 1982.

Statements on Standards for Management Advisory Services

No. 3 (November 1982), *MAS Consultations*

- ☐ Provides guidance on the application of certain of the general standards set forth in SSMAS no. 1, *Definitions and Standards for MAS Practice,* to MAS consultations.
- ☐ Establishes certain technical standards applicable to MAS consultations.
- ☐ Effective for MAS consultations occurring after May 1, 1983.

No. 2 (November 1982), *MAS Engagements*

- ☐ Provides guidance on the application of certain of the standards set forth in SSMAS no. 1 to MAS engagements.
- ☐ Discusses the nature of MAS engagements, professional competence, planning and supervision, sufficient relevant data, role of the practitioner, understanding with client, client benefit and communication of results in MAS engagements.
- ☐ Effective for MAS engagements undertaken on or after May 1, 1983.

1983 PCPS Conference Looks into the Future

What will the profession and the AICPA be like in the future? In order to consider questions such as these, the AICPA established two committees last year—the future issues committee to identify and consider the problems and opportunities that will be faced in the years ahead, and the special committee on member services to study the AICPA's structure to determine whether or not changes would enable the Institute to serve members better.

The future issues committee reported to council in October that areas already identified as being of possible concern are increasing competition, changing regulatory attitudes, computer developments and specialization within the profession. The committee will consider the effect of these developments on the profession's responsibilities to clients, the public and others. One item on the agenda of the member services committee is a specific proposal of the federal taxation division to expand membership by voluntary subscription.

Three practitioners who are involved in studying these and other professional issues will provide a glimpse into the profession's and the AICPA's future in a panel presentation at the 1983 PCPS Conference. Another presentation will highlight how the FASB is dealing with the issue of standards overload in relation to private-company financial statements. There will also be a report on the advocacy activities of the PCPS technical issues committee on behalf of CPAs who serve private companies and a number of concurrent technical sessions and member forums.

The conference, which is open to all AICPA members, is scheduled for May 1-3 in New York. For further information, contact the AICPA meetings department (212) 575-6451.

Fourth Quality of Life Seminar

The AICPA management of an accounting practice committee will hold its fourth annual Quality of Life Seminar at Marriott's Mountain Shadows Hotel in Scottsdale, Arizona, on May 1-3. Leading consultants will demonstrate how a planned approach to stress management, communication and self-responsibility can positively affect firm operations and personal lives.

The seminar is designed to help CPAs and their spouses realize their best potentials at home and at work. In addition, practitioners can learn how to improve their firm's work environment and increase productivity.

For further information, contact David W. McThomas at the Institute (212) 575-6439.

A Look at One Firm's Partnership Agreement

During my first 10 years in partnership, my partner and I lived without an agreement. We were young, a little naive about catastrophe but very keen on building a good practice. Fortunately, we never had a problem that couldn't be worked out by discussion. But neither did we ever have to deal with the issues of death, disability, retirement, withdrawal, dissolution, expulsion or any of the many other problems that can arise in a partnership.

The need for a formal agreement did arise when we admitted two managers to the partnership. Our first agreement, a nine-page document, addressed many of the basics, such as profit distributions, death and disability, etc., but we shirked the gut issues. Reference was intentionally omitted on any settlement regarding expulsion, withdrawal and/or retirement, foolishly leaving those issues subject to later negotiation. Once again, we were lucky because we never had to negotiate any of those matters.

But now, 20 years after the founding of the firm, with 12 partners and almost one hundred people in all, we have an entirely different type of agreement.

Our current partnership agreement addresses the very points we avoided earlier and provides what we believe is an equitable solution to any problems that might arise. We also believe that a good partnership agreement should go beyond just dealing with potential problems but should also cover partners' responsibilities and authority restrictions, firm finances and a host of other issues. Here are some of the more important provisions of our firm's partnership agreement that you might find helpful when planning or revising your firm's agreement.

An executive committee, which is accountable to all of the partners, is responsible for the overall management of the partnership. It makes all policy decisions except for those major issues which are expressly reserved for the partners.

Each partner is entitled to one vote for each income participating unit (IPU) held on the date of the meeting, and the voting is measured on the basis of the votes actually cast.

The executive committee determines the firm's required capital at the beginning of each fiscal year with each partner being responsible for his proportionate share—the share being based on the ratio of his IPUs to the total IPUs issued.

IPUs are similar to shares of stock in that the number of them is open-ended. They are easier to deal with than percentages because, for one thing, an individual partner's IPUs may be increased or decreased without making offsetting changes to other partners'.

Our agreement provides that our income shall be distributed under a three-step formula. First, each partner is credited quarterly with interest on his accrual basis capital account using bank loan interest rates. Next, we set aside a percentage of the firm's net income until year-end as a profit pool. The pool is allocated by the executive committee after its members complete their annual evaluation of all partners using objective and subjective criteria. Any portion of the pool not specifically allocated is credited to all of the partners in accordance with their IPUs. Finally, all other profit is distributed to each partner based upon the ratio of his IPUs to the total.

We don't provide for partner salaries. We prefer to use total earnings in determining each partner's worth to the firm and to himself, and the relationship of his earnings to other partners'.

Drawings are determined by the executive committee after the financial forecast has been approved and the capital requirements for the year have been established. To be on the conservative side, we withhold part of the forecasted profits and we update at midyear.

Partners are reimbursed for reasonable firm expenses paid from personal funds. They must also maintain a $3 million umbrella liability policy at their own expense to protect themselves and the firm.

No partner can obligate the partnership by note, mortgage, lease, pledge, etc., or give any written or oral partnership guaranty without the consent of the executive committee or the partnership. Partners may not serve as officers or directors of any corporation, except nonprofit corporations, without the consent of the executive committee. Partners must also maintain membership in the AICPA and in such state societies as the executive committee shall designate.

Our agreement provides for the termination of a partner's interest under five circumstances: death, disability, retirement, withdrawal and expulsion. Under any of these circumstances, the former partner is entitled to his adjusted accrual basis capital account as of the date of his termination. The special adjustments made as of that date include the partner's share of the following:

- ☐ The carrying value of publicly owned securities held by the partnership will be adjusted to market.
- ☐ Securities of closely held corporations or interests in other partnerships will be valued according to the buy/sell agreements. If there are no buy/sell agreements, valuation will be by written agreement among the partners, and if that does not exist, by arbitration.
- ☐ Real estate is valued by a written agreement. If the valuation is more than three years old, a new value must be determined based upon the average of three appraisals made within 60 days after the date of termination.
- ☐ The cash values on any life insurance policies are listed, although the proceeds of the life insurance policies are not.
- ☐ If a suit has been filed against the firm within 90 days after the date of termination, or the firm has knowledge of a threatened suit, the partnership will withhold the former partner's pro rata share of the potential liability, including expenses, until settlement of the litigation.

In addition to the capital account, an amount shall be paid to the estate of a deceased partner or to a permanently disabled or retired partner, but not to an expelled partner or one who has withdrawn under some provision other than disability or retirement. This amount is based upon the former partner's average annual income. In the event of disability or death, the amount payable will depend on how long he has been a partner.

When a partner dies, his capital account, including interest, is paid to his estate in 12 equal monthly installments starting 90 days after his death. Conversely, if his capital account is in a deficit position, the estate must pay the deficit to the firm within 120 days after the date of death. Any payments to a deceased partner's estate in excess of his cash basis capital account are considered guaranteed under the provisions of section 736 (a) of the Internal Revenue Code of 1954. Thus, they are deductible by the firm and taxable as ordinary income to the recipient.

The timing and amount of the additional payment will depend upon the extent of insurance coverage on a deceased partner's life. Within 15 days after the firm collects the insurance proceeds, half of it must be paid to the estate of the deceased partner. The balance is held by the partnership—but segregated from its general funds—until a final determination is made of his capital account and additional amount. If the amount due to the deceased partner is at least equal to the remaining half of the insurance proceeds, the balance will be turned over to his estate within 30 days after final determination of the liability. Any uninsured amount will be paid in 60 equal monthly installments, without interest, starting six months after the date of his death. That uninsured amount will also be treated as a guaranteed payment for tax purposes. On the other hand, if the amount due is less than the remaining insurance proceeds (i.e., the 50 percent portion), then only the unpaid balance will be paid to the estate, and the estate shall have no claim to the excess proceeds which will remain with the firm.

If a partner is considered permanently disabled (and that involves a disability for 365 days in any 426-day period—i.e., 12 of 14 months), the firm then establishes his date of termination and computes the amount due him. A disabled partner's capital account will be paid in 12 equal monthly installments, and payments by the firm will be tax deductible to the extent they exceed the partner's cash basis capital account. The additional amount will be paid over six years in equal monthly installments, without interest, following the date of termination.

A partner must retire at the end of the fiscal year following his sixty-fifth birthday. If he has been a partner for more than 10 years and has attained the age of 50, he may elect early retirement. His capital account will be paid to him in 12 equal monthly installments, including interest, starting on the fourth month following the termination date. If his adjusted capital account is in a deficit position, the deficit will apply against any additional amount due him. The additional amount will be paid over 10 years in equal monthly installments, without interest, starting one month after the firm has paid off the capital account.

Another important provision in the retirement section of our partnership agreement is the restrictive covenant. The retired partner is precluded from engaging in the practice of public accounting for 11 years after his termination anywhere in the tri-state area where we have the bulk of our practice. He can serve as an executor of an estate or as a trustee of a trust, and he can be employed by a client but only with the consent of the executive committee. In the event he does reengage in public or private accounting, he shall be considered to have breached the agreement and shall forfeit all remaining amounts due him and may be subject to legal remedies by the firm.

Our agreement acknowledges that the right to render professional services to all clients of the firm and the work papers pertaining to those clients belong to the firm and not to any individual partner. The agreement contains a formula for determining the price a withdrawing or expelled partner shall pay the firm for clients he takes with him.

The AICPA *Management of an Accounting Practice Handbook* contains an excellent chapter on partnership agreements, including sample terminology and sample agreements (see chapter no. 401). It can serve as a good guide for firms that are planning to draw up or revise partnership agreements. However, nothing should be adopted lock, stock and barrel.

In fact, the introduction to this chapter states that firms should not attempt to draft their own agreements without consulting legal counsel as to the legality and enforceability of the proposed provisions and suggests obtaining advice on local requirements and assistance in the preparation and periodic review of the agreements.

The bottom line of all this is that each firm should have a well-planned partnership agreement which reflects the philosophy of the individual firm, covers as many contingencies as possible and is broad enough to deal with changes—particularly growth. Finally, the agreement should be drawn up by an attorney who is familar with the problems and requirements of professional practices, and the partners must agree that it is not cast in stone but that it can be reviewed and changed as necessary.

–by Daniel S. Goldberg, CPA
Livingston, New Jersey

How to Obtain Material for Your Firm Newsletter

The most popular way to market an accounting practice is through a firm's own newsletter, according to an article in the January issue of *Public Accounting Report*. Apparently, 89 percent of the respondents to its *CPA Marketing Report* readers' survey publish newsletters and 78 percent send them to nonclients. Yet, some of the questions submitted at the last AICPA conference on practice development show that firms experience considerable difficulty in obtaining a constant supply of suitable material for their newsletters.

What subjects are suitable for a firm newsletter and where can its editor find such items? Judging by the wide variety of firm newsletters that I read, I'd say that virtually anything goes.

Of course the more frivolous types of material are only to leaven the loaf, to make the newsletter more readable. The bulk of CPA firm newsletter contents consists of subjects appropriate for discussion by a CPA firm with its clients: reminders about reporting requirements; changes in tax laws and regulations; ideas for better ways of managing; advice about personal finances and so on.

Where does the editor of a firm letter find interesting, timely items along these lines? One good source is the daily practice experience—questions that clients are asking; problems frequently encountered; topics clients seem to be most ignorant about—especially where better information would be beneficial to them.

I find it useful to keep "subject files"—manila folders with headings such as "Passing along a closely-held company," "Sharing income with family members," "New rules for reporting tip income," and "Withholding on interest, dividend and pension payments." Into such folders go notes, quotes, newsclips, magazine articles—anything that applies.

Be sure when selecting a topic that it's one of interest to most of your readers. No need to bore the majority while helping just the few who would be affected.

Another source of story ideas is the professional journals and newsletters you yourself read—tax magazines and the like which you can be quite confident your clients don't receive. These often contain subjects which, when put into straightforward English, are grist for your mill as a newsletter editor.

I am not suggesting that such items be lifted intact. While original texts, art work, titles, drawings, etc., can be copyrighted, facts cannot. The fact that the FASB has issued Statement no. 70, *Financial Reporting and Changing Prices: Foreign Currency Translation,* is in the public domain—nobody can copyright that. To gather subject ideas from several articles in separate publications and rewrite them completely, giving the new composite the benefit of your own insights, is not plagiarism. It's *synthesis*—the fashioning of something new and original from preexisting components.

There is a way to quote directly and in full from another publication, and that is by prearrangement with the publisher and by giving credit. This is a common practice among CPA firms that publish newsletters and exchange them with other firms, sometimes under a standing agreement that items can be used as is—with a credit. Such arrangements among directly competing firms are rare.

Some firms that publish newsletters ask that everyone on the professional staff remain alert for items that can be written up in the firm letter. In most cases writers sign such contributions, which is probably an incentive but also acquaints clients with staff they may not deal with directly.

If everyone in a firm is always on the lookout for newsletter items, the product is bound to benefit. The interest shown by the managing partner will play an important part in accomplishing this.

—by Arthur Lodge
AICPA, New York

Mr. Lodge is the editor of the CPA Client Bulletin, *which is published by the AICPA and used by more than 5,000 CPA firms, either as printed or as source material for items that are incorporated with articles produced by the firm itself. For information on subscriptions to the* Client Bulletin *or to the proof-sheet service, contact Arthur Lodge (212) 575-6277, or Rod Parnell (212) 575-6274.*

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